The Balanced Scorecard and Army Strategic Readiness System

COL James L. Stevens (USAR, Ret.)

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Balanced Scorecard (BSC) methodology provides leaders a tool to break out organizational strategy into a balanced set of measurable objectives that are easily communicated to the organizational action level. The methodology grew out of efforts in the 1990s by Dr. Robert Kaplan and Dr. David Norton to build a strategic performance model that would go beyond the narrow profit focus traditionally used by most private sector organizations to shape organizational strategy. In their model, first published in their 1996 book *Translating Strategy Into Action*, Kaplan and Norton promoted a broader based strategic focus designed to ensure the health and growth of the organization over the near and far term.

Specifically, their model gives equal focus to the following three other aspects of organizational performance in addition to profit: customer, internal processes and people/organizational learning and development. Figure 1 depicts the private sector model's four essential elements. After promoting their private sector methodology with great success, Norton and Kaplan adapted this model for government use. The government model is essentially the same as the private sector one except that the "Financial Perspective" is changed to "Fiduciary Perspective." Instead of a profit motive, government focus is on fiscal responsibility, as depicted in Figure 2.

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Numerous government organizations have now initiated or completed strategic models based on BSC methodology. In part, this effort was inspired by several congressionally mandated government reform acts in the 1990s that required federal agencies to strategically plan how they will deliver supplies and services and to measure their organizational performance. More recently, the President's Management Agenda and the *2001 Quadrennial Defense Review* have added emphasis to this effort for DOD activities. In December 2002, DOD issued a *Management Initiative Decision (MID 901)* that specifically identified the BSC methodology as the "framework for establishing executive-level performance goals and tracking results." Arguably, the Army has been one of the most ambitious and aggressive promoters of this methodology.

Strategic Readiness System (SRS)

Beginning in late 2001, DA leadership went far beyond the fundamental BSC effort by developing a fully automated BSC architecture and successfully linking it to Army Knowledge Online (AKO). SRS, the Army's BSC version, is being promulgated throughout the Army with plans to cascade the system down to brigade/battalion level. SRS was initially brought online in July 2002 and has subsequently grown and matured much more quickly than even its promoters had envisioned. As a result, documentation and Armywide training are just now beginning to catch up with the proliferation of the system. The Army G-3 (Operations) Readiness Office — tasked with responsibility for developing SRS — has completed an SRS implementation directive that gives specific guidance. In the interim, organizations

Figure 1. Private Sector Organizations

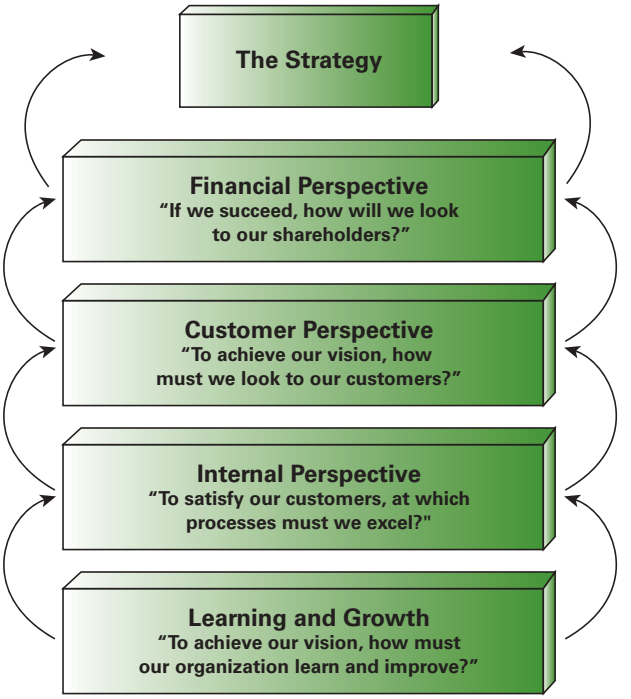
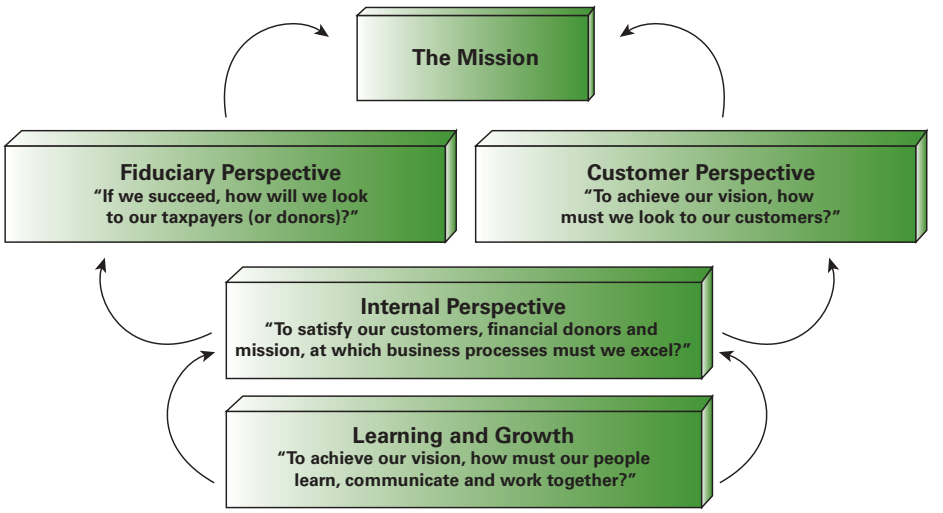


Figure 2. Government and Nonprofit Organizations



such as the Office of the Assistant Secretary of the Army for Acquisition, Logistics and Technology (ASAALT) that are engaged in building their BSC rely primarily on formal training sessions and personal coaching by the SRS staff. Figure 3 depicts the top picture or "strategic map" for the DA-level scorecard and Figure 4 depicts the ASAALT scorecard as they currently appear in SRS.

The various "bubbles" in Figures 3 and 4 contain the titles of specific strategic objectives derived from the organizational mission and strategic vision. In BSC theory, successfully performing these objectives essentially equates to successfully executing the organizational strategy. The strategic bubble's colors — red, green or amber — indicate the organization's current performance level objective. Gray bubbles are objectives that are not completely defined, have not yet been activated in SRS, or are outdated. Beneath each embedded objective is one or more metric statements and selected performance targets that determine the objective's color. Anyone with AKO access to SRS can review the underlying metrics and targets along with other pertinent objective information via a series of drop-down menus and narrative boxes. Figure 5 also illustrates the metrics and targets associated with an ASAALT customer-level objective.

Measurement data for the objective metrics in this example are drawn from the Major Acquisition Program Report that resides in the Acquisition Information Management database. In addition to the basic measurement indicators, more detailed information about specific acquisition category 1 and 2 programs is also available if the viewer wishes to "drill down" using the drop-down menus and narrative boxes. Ultimately, additional links will provide even more detailed options. As these links are built, this architectural effort will become a powerful information and communications tool.

Arguably, the measures established to color SRS objectives provide only a top-level view of actual objective performance. Metrics will be developed to provide the most reliable indicators of objective performance. Additionally, we must identify the most pertinent

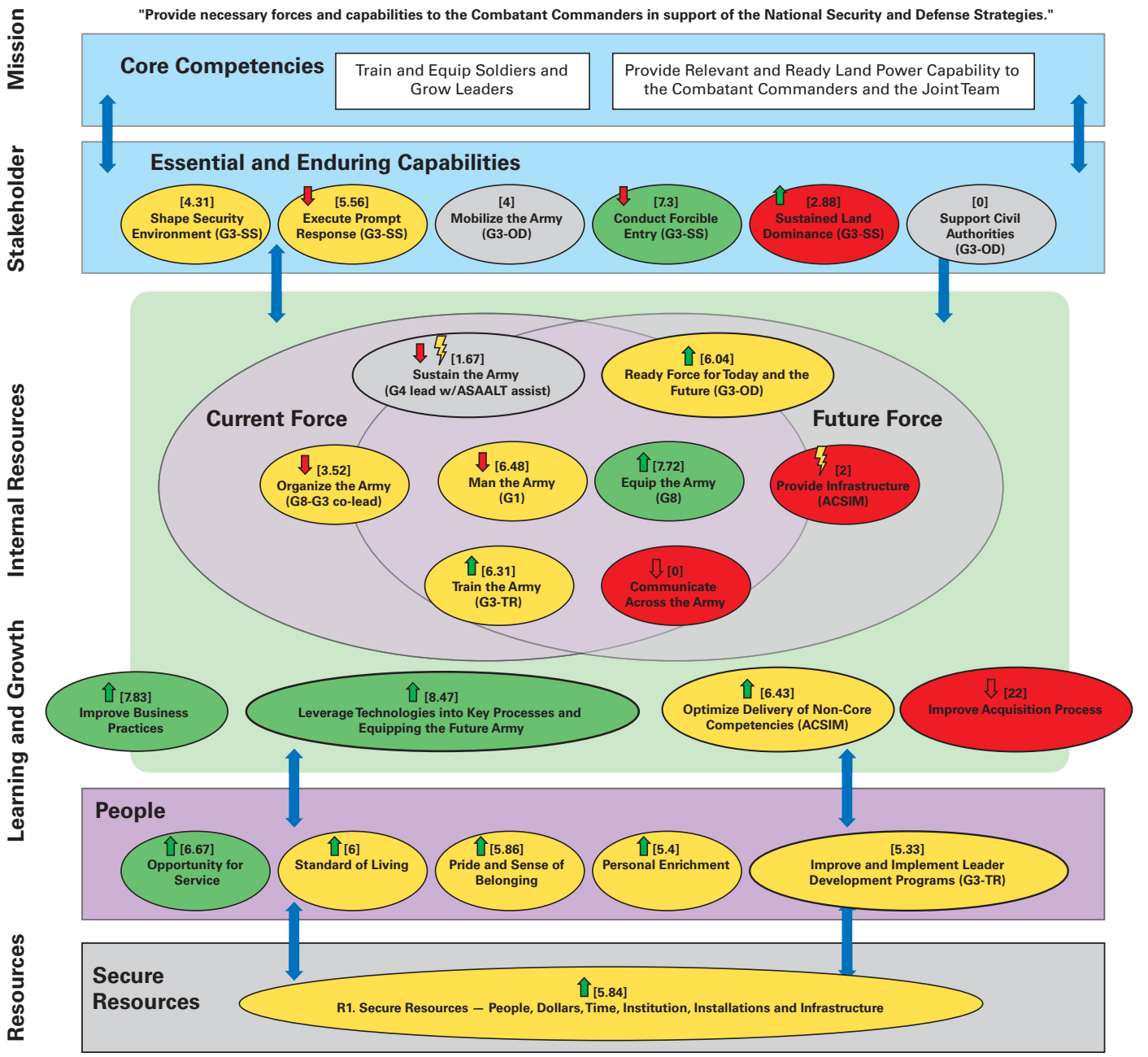


Figure 3. DA Scorecard

databases for giving leaders a more comprehensive picture of objective performance when needed. To further good knowledge management efficiency, these databases then must be linked into SRS in such a way as to provide focused "one-stop shopping" for information most pertinent to specific performance objectives.

The SRS Operations Center

To drive Army BSC efforts, the Army Chief of Staff (CSA) established an SRS Operations Center within the DA G-3 Readiness Office. This activity is charged with overall responsibility for developing and administering SRS. The program is directed by COL Robert Cox with executive oversight provided by a General Officer Steering Committee (GOSC) chaired by Director of Army Staff LTG James J. Lovelace Jr. Each major command and major Army staff office was also directed to establish an SRS Operations Center to provide leadership, coordination, training and methodology guidance to subordinate activities. The

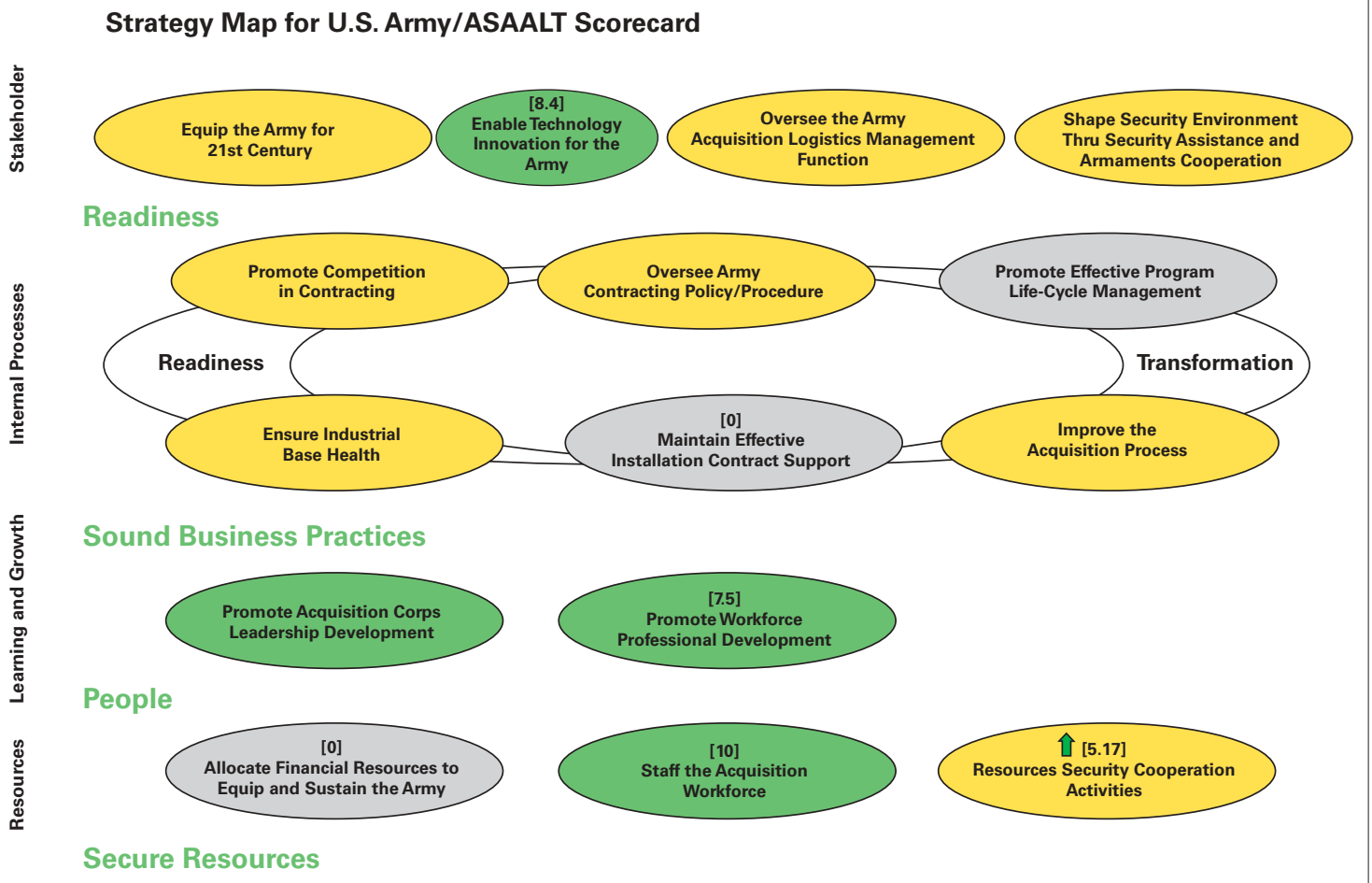


Figure 4. ASAALT Scorecard

ASAALT SRS Operations Center was established in early 2003 and is currently led by COL Ron Anderson. The ASAALT SRS GOSC member is Donald Damstetter, Deputy Assistant Secretary for Plans, Programs and Resources.

In addition to developing and administering primary and subordinate activity BSCs, DA staff-level operations centers also must coordinate building appropriate metrics for DA scorecards. For example, ASAALT has responsibility for providing all or a portion of the metrics for four of the Army's 21 strategic objectives. These objectives include: "Sustain the Army" (one of four metrics), "Equip the Army" (one of 3 metrics), "Enable Technology" (all 4 metrics) and "Improve Acquisition With Industries" (two metrics).

Cascading

The Army plans to promulgate SRS all the way down to brigade and battalion level with each BSC tailored to the level and strategic mission of the individual activity, yet coordinated and linked to support — in a synergistic fashion — the Army's overall strategic mission. This process, known as "cascading," is a unique feature and special strength of the SRS architecture. When all the planned linkages are in place, SRS will provide leaders and action officers at all levels with greatly increased access to useful databases and organizational information. As a result, data integration will be enhanced, and readiness and performance assessments will become more dynamic and timely. In ASAALT, cascading has begun at the Deputy Assistant Secretary levels and will soon be pushed out to program executive officer and program manager activities.

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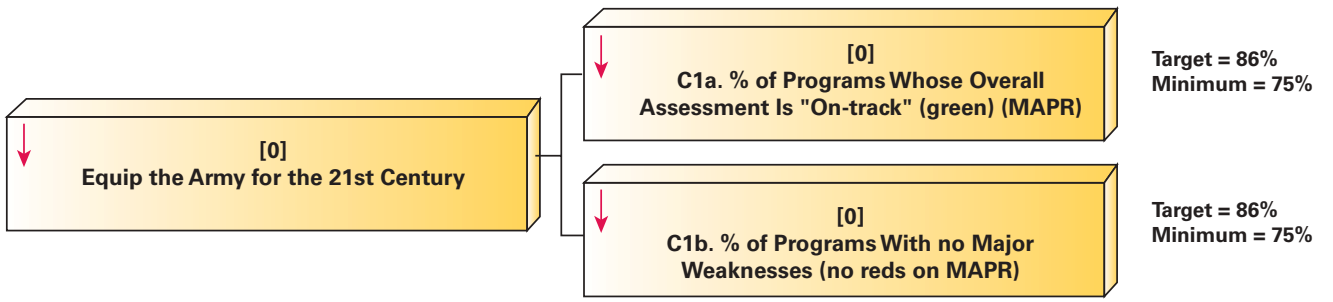

Figure 5.

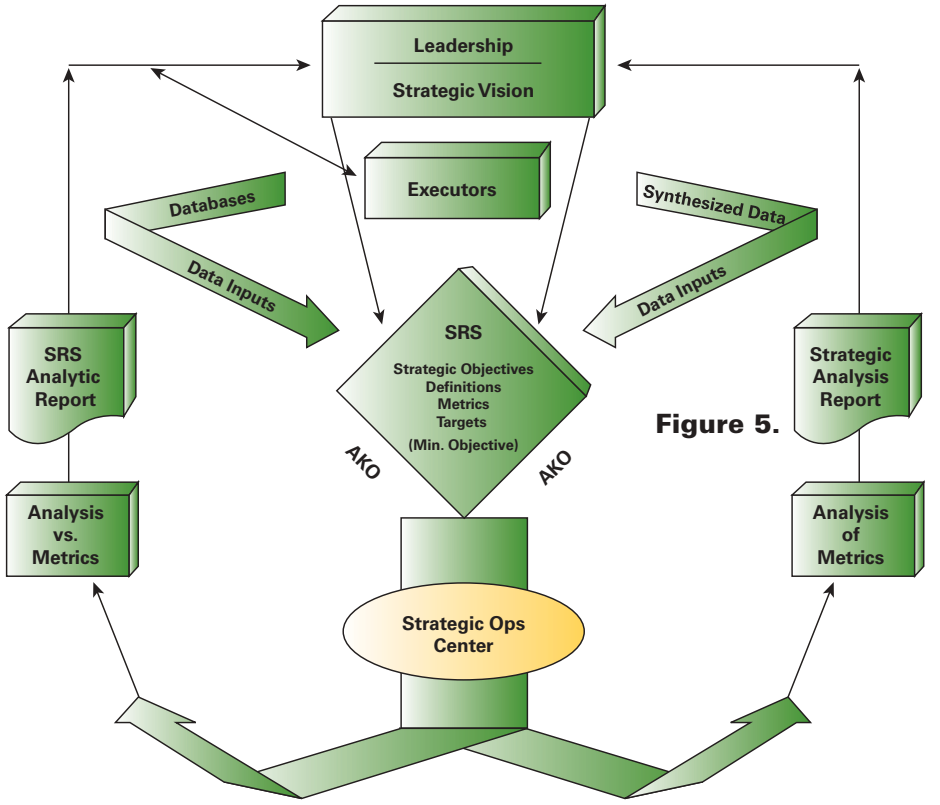

Figure 6.

Performance Analysis Using SRS

SRS will provide strategic information from multiple, diverse databases. Leaders can then apply this information to better understanding of specific performance areas. SRS promotes melding of *lead* (predictive) and *lag* (current level) metrics to produce a more dynamic picture of performance — both "what has happened" and "what is likely to happen." SRS operations centers will play a key role in coordinating and facilitating this new analysis approach. The DA Operations Center is building analysis templates and formal training to support the new process. School-trained experts in these analysis techniques will be called "SRS Analysts." The DA G-3 Readiness Office is piloting the SRS analysis approach with a new readiness review procedure designed to replace the CSA's *Monthly Readiness Review*. The new format, called the Strategic *Readiness Update*, will provide a much more diverse and dynamic view of Army readiness posture and emphasize interactive discussion and analysis versus status reporting. The analytic process will also enable and encourage routine review of the performance metrics and targets being used in the performance evaluation process. This part of the analysis is the second leg of what Norton and Kaplan have referred to as the BSC "double feedback loop." It is a key feature of the methodology that permits the organization's strategic architecture to flex and adjust to changes in the strategic environment. Figure 6 illustrates the flow of information from sources through the analyst and back to leaders and stakeholders.

The Norton and Kaplan BSC methodology has proven to be a phenomenally successful management tool for the measurement and enhancement of organizational performance. It is now being widely used in both the private and public sectors and has been mandated for

use in DOD. The Army is at the forefront of DOD's BSC SRS effort. The SRS team is working directly with the Balanced Scorecard Collaborative, the firm founded and led by Drs. Norton and Kaplan, to more fully develop the methodology's potential through use of automation and database linkages that will ultimately be available on AKO. The SRS vision is to create an overarching, highly accessible Army information system that will provide leaders and staff with the ability to continuously assess all aspects of Army mission and readiness in near real-time.

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The Probability of Success Metric

LTC Bob Ordonio and Edmund Blackford

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"The general who wins a battle makes many calculations in his temple before the battle is fought. The general who loses a battle makes but few calculations beforehand. Thus do many calculations lead to victory, and few calculations to defeat ... It is by attention to this point that I can foresee who is likely to win or lose."

Sun Tzu, *The Art of War*

Predicting program success has always been difficult. Some programs succeeded through inspiration, luck and determination while others struggle through their inception and never get off the ground. In 2002, Assistant Secretary of the Army for Acquisition, Logistics and Technology (ASAALT)/ Army Acquisition Executive (AAE) Claude M. Bolton Jr. directed that a method be developed that allowed "an accurate, comprehensive method of assessing a program's probability of success, and a process or briefing package that would allow this assessment to be clearly and concisely conveyed to Army leadership as quickly as possible once developed."

The ASAALT staff implemented an interim Probability of Success (P(S)) metric in June 2002. This method used a Point Estimate method to calculate the probability using an equal-weighted average of the evaluation factors. The evaluation factors include technical, schedule and funding factors. Currently, acquisition category (ACAT) I and II programs are required to submit a Point Estimate P(S) metric via the Monthly Acquisition